

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 1/1/17 to 1/31/17

MONTHLY OPERATING REPORT

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit / Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X	Note (1)	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X	Note (1)	
Schedule of Professional Fees Paid	MOR-1b	X	Note (2)	
Copies of bank statements			Available upon request	
Cash disbursements journals			Available upon request	
Statement of Operations	MOR-2	X	Note (3,4)	
Balance Sheet	MOR-3	X	Note (3,4)	
Status of Post-petition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Post-petition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4	X		
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X	Note (5)	

See accompanying notes on following page.

Note:

The financial information provided in this Monthly Operating Report ("MOR") is provided based on the best information available, the source of which is unaudited and untested. If the books and records were audited or tested further, the information provided may differ from that presented in this MOR, possibly by material amounts.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Signature of Authorized Individual*

Date

Robert S. Rosenfeld

Chief Restructuring Officer

Printed Name of Authorized Individual

Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

In re:

Chapter 11

DOWLING COLLEGE

Case No. 16-75545 (REG)

Debtor.

**GLOBAL NOTES REGARDING
DEBTOR'S MONTHLY OPERATING REPORT**

This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in these chapter 11 cases and is in a format acceptable to the United States Trustee. The attached financial statements are preliminary and unaudited.

The accompanying Preliminary Unaudited Financial Statements of Dowling College have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America using information from the Debtor's accounting sub ledger and general ledger systems.

While Debtor's management has made reasonable efforts to ensure that the MOR is accurate and complete, based upon information that was available to them at the time of preparation, subsequent information may result in material changes to the MOR. Moreover, because the MOR contains unaudited information, which is subject to further review and potential adjustment, there can be no assurance that this MOR is complete. The Debtor reserves all rights to amend the MOR from time to time, in all respects, as may be necessary or appropriate. These global notes regarding the Debtor's MOR ("**Global Notes**") comprise an integral part of the MOR and should be referred to and considered in connection with any review of the MOR.

Specific Notes.

Endowment Funds. Temporarily restricted net assets consist of various donor-restricted amounts for academic programs, scholarships, and revenue for future periods (i.e., contributions receivable and accumulated gains on endowment funds). Permanently restricted net assets represent endowment corpus, which provides investment income principally for scholarships. Dowling's endowment consists of approximately 55 individual funds established for a variety of purposes, including donor-restricted endowment funds. Dowling's management and investment of donor-restricted endowment funds is subject to the provisions of New York Prudent Management of Institutional Funds Act (NYPMIFA).

Pursuant to the investment policy approved by the board of trustees of Dowling, Dowling has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund, as Dowling deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Dowling records the remaining portion of the donor-restricted endowment fund that is not permanently restricted, as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Levied Bank Accounts. Prior to the Petition Date, the Debtor's funds on deposit at TD Bank, NA (approximately \$506,000) that were included in 4 separate bank accounts were removed from the accounts and placed in separate holding accounts by TD Bank, NA in accordance with its internal procedures and following receipt of certain Restraining Notices served pursuant to NY CPLR Section 5222(b) filed by certain prepetition judgment creditors. Included in these restrained funds may have been certain restricted funds. Consistent with the Final Cash Management Order referred to above, the Debtor is in the process of evaluating the restrictions on these funds. The Debtor has made written demand for turnover of these funds from TD Bank, NA. In February 2017, TD Bank reinstated three of the levied accounts to their pre-levied balances in the original bank accounts from where the funds were removed. For the fourth account, TD Bank remitted a check to the Debtor in the amount of the pre-levied balance. Upon receipt of these funds, the Debtor transferred these funds to four new DIP accounts maintained at Signature Bank in the same amounts and titles of the accounts that were maintained at TD Bank.

Sale of Residential Properties. Pursuant to Court Order, during December 2016 and January 2017 the Debtor has sold 8 residential properties located near the Oakdale, Long Island Campus. In accordance with the Court Order, the net proceeds (after closing costs and realtor commissions relating to these sales) were paid directly to the secured lender that held the lien on these properties. Following is a summary of the funds relating to these sales:

	# of sales	Total Sales Price	Cost of Sales (1)	Paid to Secured Lender
2016	5	1,594,500.00	78,048.53	1,516,451.47
2017	3	1,143,000.00	30,271.63	1,112,728.37
	8	2,737,500.00	108,320.16	2,629,179.84

(1) Includes realtor commissions and other closing costs.

Since the proceeds and costs relating to the sales did not flow through the Debtor's bank accounts, the Debtor has included a column in schedule MOR-1 that reports the cash flow relating to these sales. All 8 transactions have been included in the Debtor's January 2017 MOR.

Self-Insured Medical and Dental benefit plan. The Debtor maintained self-insured employee medical and dental benefit plans (the "**Health Plans**"). Under the provisions of the Health Plans, two third party administrators, CIGNA and Health Plex, provided claims processing and administrative functions, for the Medical and Dental coverage, respectively. Upon the closing of the Debtor's operations in June 2016, this Health Plan was terminated. The U.S. Department of Labor is in the process of evaluating the outstanding unpaid claims under these Health Plans. As of the Petition Date, the Debtor was unable to quantify the total amount of claims to be potentially asserted in relation to the termination of the Health Plans due to, among other reasons, the fact that many claims may be unqualified for coverage or disallowed under the Health Plan. In addition, the Debtor's, former third party administrators ("TPA's") of the Health Plans have stated that they will not agree to process the associated claim.. Finally, the Debtor is presently unable to determine which parties actually hold the claims for monetary loss associated with the Health Plans termination, if any. Until further analysis can be performed, the Debtor has disclosed this issue herein, without quantification of the amounts due.

Pending Litigation

The Debtor is subject to lawsuits and claims that arise out of its operations in the normal course of business. The Debtor is a defendant in various litigation matters, some of which involve claims for damages that are substantial in amount. The Debtor believes it has meritorious defenses to the claims made and intends to contest the claims vigorously. Currently, the Debtor is unable to express an opinion as to the likely outcome of this litigation; therefore, as required by authoritative accounting guidance, no liabilities are reflected in the accompanying unaudited financial statements related to these claims. An unfavorable outcome could have a materially adverse effect on the Debtor's financial position and results of operations.

In re: Dowling College
Schedule of Cash Receipts and Disbursements

MOR-1
CASE NO. 16-75545 (REG)
REPORTING PERIOD: JANUARY 2017

	BANK ACCOUNTS										
	Signature - Operating - 5448	Signature - TL A- 5456	Signature-TL B- 5464	Signature - TL C- 5472	Signature - TL D- 5480	Capital One-6182 (3)	TD Bank- Operating Acct- 7019	TD Bank (levied funds) (1)	TD Bank - 4257	TD Bank-3090	TD Bank-3082
CASH BEGINNING OF PERIOD	\$ 137,213	\$ 306,939	\$ 32,132	\$ 8,283	\$ 158,555	\$ 62,308	\$ 300	\$ 506,300	\$ 1	\$ 2	\$ 2
RECEIPTS											
Cash Receipts	\$ 16,405										
Net Transfers From/(To) Accounts	407,248	(249,203)	(34,726)	(9,647)	(113,673)			(137,227)	16,157	60,558	60,513
DIP Funding		-	39,567	4,730	-						
Proceeds from sale of real estate											
Other							1,022	5			
Total Receipts	\$ 423,653	\$ (249,203)	\$ 4,841	\$ (4,917)	\$ (113,673)	\$ -	\$ 1,022	\$ (137,222)	\$ 16,157	\$ 60,558	\$ 60,513
DISBURSEMENTS											
Payroll & Benefits	63,282										
Telephone and cable	48,484										
Outside Services	954										
Landscaping & Snow Removal	14,360										
Utilities	88,637										
Security	62,301										
Fire & Safety	1,587										
Repairs & Maintenance	20,639										
Insurance	35,058										
Chemical Removal	380										
Waste Removal	1,075										
Sewage Treatment	3,687										
Property Taxes											
Permits & licenses											
Payroll Processing	1,141										
Union Benefits											
Shipping/Freight/Postage											
Computer expense	1,074										
Finance Fees						-					
Debt Service											
Debt Paydowns	19,516										
Retained Professionals											
Interim Management-CRO	101,979										
Bank Charges								879			
Storage	278										
Other	2,104										
Return of Tenant security deposits						15,981					
Real estate cost of sales	49,971										
US Trustee Fees	4,875										
Other Bankruptcy Related Charges	12,819										
Total Disbursements	\$ 534,201	\$ -	\$ -	\$ -	\$ -	\$ 15,981	\$ -	\$ 879	\$ -	\$ -	\$ -
Net Cash Flow	\$ (110,548)	\$ (249,203)	\$ 4,841	\$ (4,917)	\$ (113,673)	\$ (15,981)	\$ 1,022	\$ (138,100)	\$ 16,157	\$ 60,558	\$ 60,513
Cash - End Of Period⁽⁴⁾	\$ 26,665	\$ 57,736	\$ 36,973	\$ 3,367	\$ 44,882	\$ 46,327	\$ 1,322	\$ 368,199	\$ 16,157	\$ 60,560	\$ 60,515

(1) Funds were levied by TD Bank prepetition pursuant to judgement order. In January, funds were released by TD Bank back to original accounts.

(2) Debtor is currently investigating if these funds are restricted.

(3) Bank accounts maintained for tenant security deposits.

(4) Pursuant to Court Order, proceeds from the sale of the Debtor's residential real estate located in Oakdale, NY were paid directly to the secured lender that held the liens on these properties.

Since the funds were paid directly to the lender and third parties, no funds related to these transactions flowed through the Debtor's bank accounts.

The amounts included above relate to activity for sales of 8 residential properties: 5 of these sales were closed in December 2016; and 3 were closed in January 2017.

The above amounts are included herein for reporting purposes only.

In re: Dowling College
Schedule of Cash Receipts and Disbursements

MOR-1
CASE NO. 16-75545 (REG)
REPORTING PERIOD: JANUARY 2017

				CURRENT PERIOD	CUMULATIVE FILING TO DATE
	TD Bank-Activity Acct-3699	US Bank -1467 (2)	Cash Activity through Residential Sales (4)	ACTUAL	ACTUAL
CASH BEGINNING OF PERIOD	\$ 0	\$ 254,007	\$ -	\$ 1,466,042	\$ 1,045,272
RECEIPTS					
Cash Receipts				16,405	46,618
Net Transfers From/(To) Accounts				0	0
DIP Funding				44,297	955,443
Proceeds from sale of real estate			2,737,500	2,737,500	2,737,500
Other	0	25,387		26,414	26,984
Total Receipts	\$ 0	\$ 25,387	\$ 2,737,500	\$ 2,824,616	\$ 3,766,546
DISBURSEMENTS					
Payroll & Benefits				63,282	124,036
Telephone and cable				48,484	54,228
Outside Services				954	4,778
Landscaping & Snow Removal				14,360	33,223
Utilities				88,637	92,715
Security				62,301	165,535
Fire & Safety				1,587	1,587
Repairs & Maintenance				20,639	29,332
Insurance				35,058	103,441
Chemical Removal				380	41,501
Waste Removal				1,075	2,150
Sewage Treatment				3,687	3,687
Property Taxes				-	87,763
Permits & licenses				-	250
Payroll Processing				1,141	2,421
Union Benefits				-	1,293
Shipping/Freight/Postage				-	-
Computer expense				1,074	1,074
Finance Fees				-	107,000
Debt Service				-	-
Debt Paydowns			2,629,180	2,648,696	2,648,696
Retained Professionals				-	-
Interim Management-CRO				101,979	101,979
Bank Charges				879	1,012
Storage				278	278
Other				2,104	2,409
Return of Tenant security deposits				15,981	15,981
Real estate cost of sales			108,320	158,291	158,291
US Trustee Fees				4,875	4,875
Other Bankruptcy Related Charges				12,819	20,186
Total Disbursements	\$ -	\$ -	\$ 2,737,500	\$ 3,288,561	\$ 3,809,720
Net Cash Flow	\$ 0	\$ 25,387	\$ -	\$ (463,945)	\$ (43,174)
Cash - End Of Period⁽⁴⁾	\$ 0	\$ 279,393	\$ -	\$ 1,002,097	\$ 1,002,097

**In re: Dowling College
Bank Reconciliations**

CASH AND MARKETABLE SECURITIES									
	Signature - Operating - 5448	Signature - TL A- 5456	Signature-TL B- 5464	Signature - TL C- 5472	Signature - TL D- 5480	TD Bank- Operating Acct- 7019	TD Bank (levied funds) (1)	TD Bank - 4257	
Balance Per Bank	\$ 91,705	\$ 57,736	\$ 36,973	\$ 3,367	\$ 44,882	\$ 1,322	\$ 368,199	\$ 16,157	
Deposits in Transit	-	-	-	-	-				
Outstanding Checks and Charges	(65,040)								
Other (List)	0	-	-	-	-				
Balance per Books	26,665	57,736	36,973	3,367	44,882	1,322	368,199	16,157	

See Notes on MOR-1

In re: Dowling College
Bank Reconciliations

	TD Bank-3090	TD Bank-3082	TD Bank-Activity Acct-3699	US Bank -1467 (2)	Total
Balance Per Bank	\$ 60,560	\$ 60,515	\$ 0	\$ 279,393	\$ 1,067,137
Deposits in Transit					\$ -
Outstanding Checks and Charges					\$ (65,040)
Other (List)					\$ 0
Balance per Books	60,560	60,515	0	279,393	1,002,096

See Notes on MOR-1

In re: Dowling College

MOR-1b
Case No. 16-75545 (REG)
Reporting Period: 1/1/17 to 1/31/17

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

This schedule is to include all retained professional payments from case inception to current month.

Payee	Period Covered	Amount Covered	Payor	Amount Paid		Cumulative Filing to Date	
				Fees	Expenses	Fees	Expenses
None Paid During Period						\$ -	\$ -
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
						-	-
Total (Excluding Duplicates)				\$ -	\$ -	\$ -	\$ -

MOR 2

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 1/1/17 to 1/31/17

STATEMENT OF OPERATIONS

(Income Statement)

UNAUDITED

	January 2017	CUMULATIVE FILING TO DATE
<u>Income</u>		
Rental Income	\$ 21,883	\$ 55,366
Interest and late charges on student billings	\$ 3,025	3,025.31
Total Income	24,908	58,391
<u>Expenses:</u>		
Gross Payroll	59,100	143,114
Bank Charges	879	1,012
Brookhaven Dorm Maintenance	6,814	12,936
Employee Benefits		51
Environmental - Phase I		2,500
Fire & Safety Maintenance	3,060	6,369
Licenses & Permits		250
Payroll Tax Expense	4,807	11,121
Real Estate Taxes	14,627	135,694
Repair & Maintenance	15,433	17,957
Security	121,935	225,169
Sewage Treatment		246
Telephone & Cable	8,582	14,409
Union Dues		1,293
Office Supplies	120	360
Computer Supplies		1,074
Electric/Gas	70,794	149,294
Fuel Oil	3,848	7,702
Water	964	964
Insurance Expense	35,058	103,441
Waste Removal	-	2,150
Snow Removal	14,360	26,260
Grounds Maintenance	-	6,963
Chemical Waste Removal	380	39,001
Payroll Processing	1,239	2,723
Storage	278	278
Taxes & Licenses	315	315
Misc. Expense	543	689
Temporary Help	2,182	2,858
Total Expense	365,318	916,193
Net Ordinary Income	(340,410)	(857,802)
<u>Other Income:</u>		
Gain on Sale of Resid. Houses	1,099,813	2,224,789
Marketing cost on sale of real estate	(66,268)	(66,268)
Interest Earned	101	131
Change in Unrealized Gain/Loss	23,143	93,448
Other Revenue	1,827	2,465
Total Other Income	1,058,616	2,254,565

MOR 2

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 1/1/17 to 1/31/17

STATEMENT OF OPERATIONS
(Income Statement)
UNAUDITED

	<u>January 2017</u>	<u>CUMULATIVE FILING TO DATE</u>
<u>Other Expense</u>		
Professional Fees - Chapter 11	181,534	416,746
Claims Noticing Agent	90,073	-
Bankruptcy Advertising Costs	12,819	20,186
US Trustee Fees	4,875	4,875
Site Planner Consulting expense	27,805	27,805
Financing Fees	13,058	120,058
Interim Management-CRO	80,852	213,100
Total Other Expense	<u>411,015</u>	<u>802,769</u>
Net Other Income	<u>647,601</u>	<u>1,451,796</u>
Net Income	<u>\$ 307,191</u>	<u>\$ 593,994</u>

See Notes to Financial Statements.

MOR 3

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: January 31, 2017

BALANCE SHEET
UNAUDITED

	Current Month	As of Filing Date
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,002,515	\$ 1,045,272
Rent Receivable	68,356	64,105
Accounts Receivable-Other	191,538	165,907
Pledges Receivable	1,772,710	1,798,341
Prepaid Expense	675,937	753,091
Prepaid Retainers	165,473	258,659
Student Receivables-net of allowance	829,830	848,807
Total Current Assets	4,706,358	4,934,183
Plant assets, net	48,715,407	49,102,183
<u>Other Assets</u>		
Closing Costs - Bonds	2,279,438	2,279,438
Perkins Loans Receivable	1,937,823	1,962,610
Investments	5,882,940	5,789,365
Deposits	36,500	36,500
Total Other Assets	10,136,700	10,067,913
Total Assets	\$ 63,558,465	\$ 64,104,279
<u>LIABILITIES & EQUITY</u>		
<u>Liabilities - Not Subject To Compromise</u>		
Accounts Payable	\$ 83,439	\$ -
Accrued Expenses-other	66,494	-
Accrued Professional Fees	534,623	-
Total post petition payables	684,556	-
<u>DIP Financing- Post petition loans:</u>		
DIP-Term Loan A	470,336	-
DiP-Term Loan B	97,936	-
DIP-Term Loan C	128,318	-
DIP - Term Loan D-Admin	258,853	-
Total DIP Financing- Post petition loans	955,443	-
Total Liabilities-Not Subject to Comp	1,639,999	-
<u>Liabilities-Subject to Compromise</u>		
Accounts Payable	3,934,332	3,909,307
Accrued Expenses	5,082,515	5,083,140
Other payables	91,000	91,000
Deferred Rental Income	80,491	80,491
Tenant Security Deposit Payable	46,327	62,308
Perkins A/P	1,772,552	1,774,874
Total Bonds Payable-Subject to Compromise	51,204,841	53,853,537
Total Liabilities subject to compromise	62,212,057	64,854,657
Total Liabilities	63,852,056	64,854,657
Fund Balance	(293,591)	(750,379)
Total Liabilities and Equity	\$ 63,558,465	\$ 64,104,279

See Notes to Financial Statements.

MOR-4

In re: Dowling College

Case No. 16-75545 (REG)

Reporting Period: 1/1/17 to 1/31/17

STATUS OF POSTPETITION TAXES

Federal	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No.	Ending Tax Liability
Withholding	No payroll tax liability. Gross payroll amount is remitted to the Payroll Service Company for the payment to the appropriate taxing authority.					
FICA-Employee						
FICA-Employer						
Unemployment						
Income						\$ -
Other						-
Total Federal Taxes	\$ -	\$ -	\$ -			\$ -
State and Local						
Withholding	See Note Above					
Sales & Use						\$ -
State Income Tax						-
Excise						-
Unemployment						-
Real & Personal Property						-
Other						-
Total State and Local	-	-	-			-
Total Taxes	\$ -	\$ -	\$ -			\$ -

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

Number of Days Past Due	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable	\$ 83,439	\$ -				\$ 83,439
Wages Payable						-
Taxes Payable						-
Rent/Leases - Building						-
Rent/Leases - Equipment						-
Secured Debt/Adequate Protection Payments	955,443					955,443
Professional Fees	299,411	\$ 235,212				534,623
Amounts due to Insiders*						-
Other - Accruals	66,494					66,494
Total Postpetition Debts	\$ 1,404,787	\$ 235,212	\$ -	\$ -	\$ -	\$ 1,639,999

* "Insider" is defined in 11 U.S.C. Section 101(31).

MOR-5

In re: Dowling College

Case No. 16-75545 (REG)

Reporting Period: 1/1/17 to 1/31/17

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		
Net Accounts Receivable at the beginning of the reporting period		\$ 848,807
+ Amounts billed during the period		
- Amounts collected during the period		\$ 18,978
- Allowances, Reserves & Write-Offs		
Net Accounts Receivable at the end of the reporting period		\$ 829,830
Accounts Receivable Aging (Gross)		
0 - 30 days old		
31 - 60 days old		
61 - 90 days old		
91+ days old		\$ (76,043)
Adjustments & Write-Offs		
Total Accounts Receivable (Gross)		
- Unapplied Cash		
- Bad Debt Reserve		\$ 117,731
- Sales Return Reserve		
- Sequester Reserve		
- Contractual Allowances		
+ Other AR Activity		
Accounts Receivable (Net)		\$ 41,688

Note: The Accounts Receivable includes many small balances due from former students dating back to when the College was operating. The Debtor continues to evaluate these receivables and determine the net realizability of such accounts.

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below. (1)	X	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all post petition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s).		X

(1) Pursuant to Court Order, during January 2017, the Debtor sold 3 residential properties totalling approximately \$1.1 million in net proceeds. The proceeds were paid directly to the secured lender which held liens on those properties.